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ABSTRACT

Too many of Britain's workforce lack the skills needed for a knowledge-based economy. To remedy this will require the commitment, in time and resources, of individuals, employers, the education and training infrastructure and the state. Adults with the lowest qualifications have the least access to employer-funded training, especially in small businesses, although there is some evidence that the wage return from training for these workers is greater. Employers' concerns about the loss of their training investment when employees leave for a higher level job can be addressed through training loans linked to the time the employee stays with the firm after training. The costs of adult learning should generally be bourne in these ways by the parties that benefit: the societal benefits of foundational skills to be bourne by government; industry and job-specific skills to be bourne by employers; and general and transferable skills to be bourne by individuals. Building on these principles, the third Skills Task Force report recommends the following: increase the proportion of adults with at least a level 2 qualification to 85% over ten years; provide access to income-contingent loans with preferential terms of repayment for study towards a qualification; provide access to career guidance; promote informal and formal learning; encourage employer involvement through tax credits, and other incentives; encourage more employer-union cooperation; and monitor progress with an annual workplace training audit. (CG)

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Boosting adult learning

By David Boyer

Working Brief 111, February 2000

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Too many of Britain's workforce lack the skills needed for a knowledge-based economy. The government has placed particular emphasis on ensuring young people enter the jobs market able to meet the needs of employers. But it remains aware that many adults, particularly low-skilled older workers for whom education is a distant memory, risk permanent disengagement from the world of work for want of some updated skills. There needs to be a return to learning among adults on a grand scale. To achieve this will require the commitment, in time and resources, of individuals, of employers, of the education and training infrastructure, and of the State. A continuous upgrading of skills needs to be viewed as an integral part of everyone's working life. How best to achieve this is what the Third Skills Task Force report attempts to answer.

Unsurprisingly, it is those adults with the lowest skills who are most distanced from current adult training. The Task Force found in its research that it is the 'trailing edge' of poorly qualified adults who are least likely to receive training from their employer. While only 8% of those qualified below level 2 may be in some form of employer-funded training, nearly a fifth of the most highly qualified benefit from this. Likewise, part-time workers are less likely to gain further training than full-time permanent staff.

Small Businesses in particular have a poor track record of workforce development. To date, many such companies have coped with skill gaps by reducing their output or productivity to match internal capability. Making do in this way is becoming less and less of a viable option.

While the period from 1986 to 1999 saw a rise in workforce training, the growth has slowed considerably over recent years. Between 1986 and 1990 the proportion of the workforce engaged in training activity around the time they were surveyed grew by 3.7%. However, in the period 1996 to 1999 the growth was only 1.1%. Just when the growth in workforce development needs to be accelerating, it is slowing down.

The quality of the training is of equal concern. 44% of employer-funded training lasts for less than one week. Furthermore, British firms show a marked preference for on-the-job training as opposed to external provision when compared with other European countries. Training in the workplace is not necessarily inferior and many employer-based NVQs offer highly relevant and useful skills. However, one measure of the usefulness of training is its impact on the earning potential of those who complete the training. Evidence suggests that those who have undertaken off-the-job training, particularly in courses leading to a recognised qualification, enjoy substantially greater increases in their income than do those whose only training was in the workplace.

There is some evidence that the wage return from training is higher (in percentage terms) for workers with lower prior qualifications than it is for more highly qualified workers. This is of particular interest because those holding 'O' Level and lower qualifications are generally less likely to receive job related training than their more highly qualified counterparts. Yet greater levels of training can be justified by the returns to lower qualified workers and presumably, since the employers are willing to pay the higher rates of pay, to the employers themselves.

Offsetting this, however, is what is commonly referred to as the 'poaching argument'. An employer is willing to incur the costs of a training investment if they expect to accrue benefits, which exceed the costs. Such benefits are not forthcoming when a newly trained employee switches to a higher paid job elsewhere on the back of their newly acquired skills. One answer to this is to set up loans to cover employer training costs. The repayment of these loans is linked to the duration an employee spends with that firm after their training is complete. Should the employee move on the balance of the loan might move with them to the new employer or be otherwise covered (by an NTO, for instance).

This addresses one aspect of the problem about who should pay for what in adult learning. On this, the report offers the following set of principles:

- Those parties who benefit from learning should share responsibility for it and, generally speaking, their share of the responsibility and costs should reflect the balance of benefits accruing to them. In this context, Government represents the broad social and economic benefits that accrue to society from a better skilled adult population and

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workforce;

- The role of Government in foundation learning should be substantially greater than in subsequent learning;
- The more closely learning is related to the specific requirements of a particular job and the needs of the current employer, the greater the responsibility which should fall on the employer; and
- The more general and transferable the learning provided, and the less direct benefit accruing to the employer, the greater the share of responsibility that should fall on the individual.

Building on these principles, the report sets out its recommendations.

Firstly, there needs to be an increase in the proportion of adults holding at least a level 2 qualification to 85% over a ten year period. Over the last 20 years the proportion of adults achieving at least this level has risen from 41% to 68%, so the Task Force is effectively seeking a similar magnitude of improvement, but in about half the time. Even this masks the true rise in adult learning required as many of those now qualified to level 2 are young people, benefiting from improved school performance and higher rates of continued education beyond school leaving age. Older adults continue to lag behind. While only 5% of those aged 20-24 have no qualifications, 39% of those aged over 50 fall into this category. Enabling these adults to benefit from foundation learning will require substantially more investment by the State. The report does not accept a lower level of entitlement to foundation learning for adults than for young people still in education. It calls upon the government to cover the full fee costs of provision for adults to achieve their first level 2 qualification.

Beyond this foundation level, the Task Force remains concerned that too few adults access training. Regardless of their current skill level an adult wishing to pursue further work-related study towards a recognised qualification should be able to secure an income-contingent loan with preferential terms of repayment.

To complement the removable of financial barriers, adults need access to high quality advice and guidance. The function of such advice is not only to inform people of the available options but also to offer a diagnosis of their current skill level including skills acquired through work. The advice would be backed by increased promotion of the benefits of lifelong learning.

These measures should stimulate a greater interest in learning among adults. However, learning activity will only increase significantly with the active cooperation of employers.

The report calls on NTOs and the LSC to actively promote the use of informal learning approaches in firms. By this they mean on-the-job training and the accreditation of prior skills. The focus should be on small firms and on level 2 and 3 skills.

This recommendation is fine but insufficient. There needs, additionally, to be a widespread increase in formal, off-the-job workforce development and it is amongst small firms that the need is most urgent. The Skill Needs in Britain Survey found that while 92% of large companies offered some off-the-job training, only 36% of the smallest firms did so. Less than 9% of small firms in England are pursuing the Investors in People Standard compared to 42% of the largest firms. So the report presents a number of recommendations to encourage small firms to play a greater role. New Learning networks for such firms could draw on the group training arrangements of the Ufi Learning Centres. The Small Business Service is well placed to encourage such activity and train managers in the relevant techniques and learning methods.

Task Force members were split on how best to ensure employer involvement. The report calls for a tax credit for small firms demonstrating a significant commitment to developing the skills of their workforces. Beyond that, the report suggests only that the government should review the tax position of other employer activities that support workplace learning.

However, a minority of members argued for a more robust recommendation. These members feel that the voluntary system of employer-led training has consistently failed to deliver sufficient effective training activity to create the necessary skilled workforce. They believe, therefore, that it is essential to create a statutory framework placing training on every company's agenda. They agree that investment in training should carry with it tax incentives. However, they would go further in imposing tax penalties on companies that failed to invest in workforce development. How many members subscribed to this view is not stated but it was sizeable enough to warrant extensive mention of the idea in the report. All members voiced their strong opposition to the possibility that an employer's contribution to an employee's Individual learning Account might be taxed as a perk. Clearly this would run entirely counter to the ethos and purpose of ILAs.

Whichever way it is done, enhanced employer involvement in the training of the workforce remains imperative. And just as individuals need access to advice on training opportunities, so employers should have ready access to similar support.

Some will gain this through their involvement with Investors in People, but non-participants in that scheme could make use of a learning information service for industry, co-ordinated by UfI and the NTOs.

Unions already contribute strongly to workforce development. The report urges an enhancement of employer-union cooperation through joint statements of workforce development principles. The CBI, British Chamber of Commerce and TUC could lead from the top in clarifying the contribution to workplace learning that each party (employer, union, and employee) should make.

The final recommendation calls upon DfEE to produce an annual workplace training audit, monitoring progress in raising skill levels over time.

A final contribution from the Skills Task Force is to be published in April. In it the Task Force will pull together the findings of their three reports, together with the supplementary papers commissioned by them, and outline a National Skills Agenda.

Third Report of the National Skills Task Force, Tackling the adult skills gap: Upskilling adults and the role of workplace learning, DfEE 2000

1. Labour Force Survey, Winter 1998; International Adult Literacy Survey

2. Labour Force Survey

3. *ibid*

4. Institute for Fiscal Studies, 1995; The Determinants and Effects of Work Related Training in Britain

5. *ibid*

6. Figures on qualification levels from the Labour Force Survey, 1999

7. Investors in People UK

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